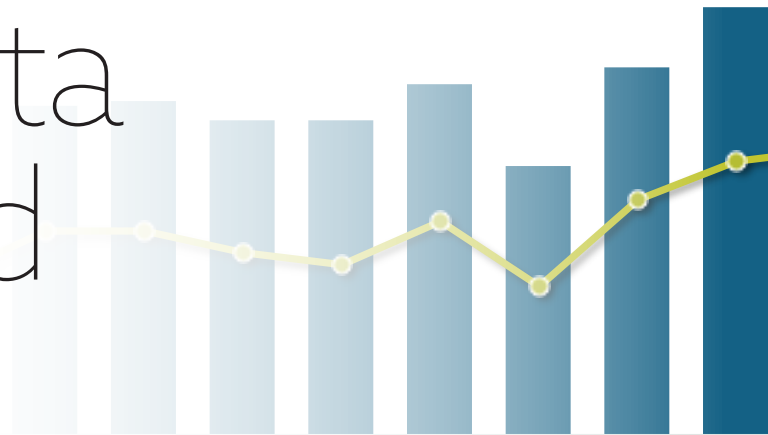


Market Data Trends and Highlights



The slowdown in M&A activity has been neither as deep nor as prolonged as general industry reports would suggest. After a quiet 1Q16, completed deal volume and TEV/EBITDA multiples increased in 2Q16, from 46 to 58 and 6.6x to 6.8x respectively. Here is the “tale of the tape” for the past six quarters:

ALL TRANSACTIONS	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16
# of Deals	66	54	45	67	46	58
TEV/EBITDA	7.0x	6.3x	7.0x	6.6x	6.6x	6.8x
Total Debt/EBITDA	4.0x	3.9x	4.0x	3.9x	4.0x	3.8x
Senior Debt/EBITDA	3.3x	2.9x	3.1x	2.7x	2.7x	3.1x

◀ Valuations overall averaged 6.8x TTM Adjusted EBITDA, slightly up from the prior two quarters but essentially in line with market averages since 2014.

2Q16 SHOWS A NUMBER OF MARKET TRENDS:

Quarter-to-quarter shifts in valuation over the past two and a half years have not been material. In addition, the “size” premium—the spread between valuations on \$10-50M and \$50-250M TEV transactions—has been remarkably steady. The spread of 2.2x (an average of 5.8x on the smaller deals and 8.1x on the larger ones) in the first six months of 2016 is exactly in line with the spread in 2014-15.

While the market has been relatively stable in equity values, there has been more movement over time in debt levels. Total debt to EBITDA averaged in the “mid-threes” for several years before rising to 3.9x.

Debt loads rising while deal pricing holds steady has meant a decline in average equity contribution, from about 50% in 2013 to about 44% in 2015 and the year-to-date. A material pullback in debt levels will result in a retrenchment in equity values, rather than a return to elevated equity share.

Average total debt dropped a tick to 3.8x in 2Q. While this alone is not material, there have been several other subtle shifts which—if the leveraged finance market does at long last pull back—will come to stand out as early portents.

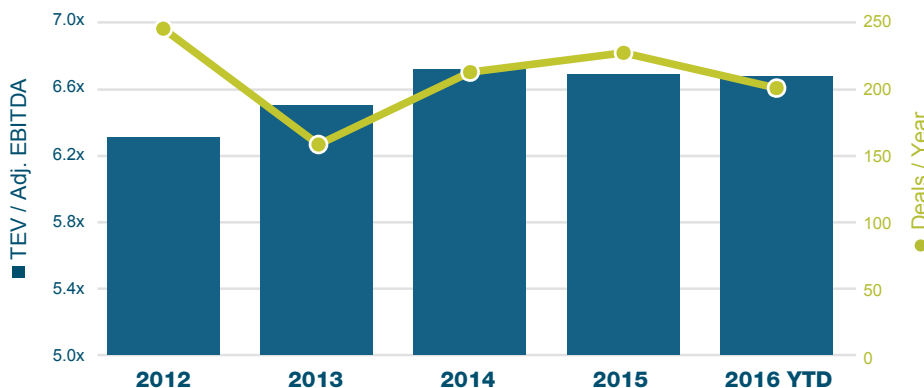
TOTAL ENTERPRISE VALUE (TEV) / EBITDA

TEV	2003-2011	2012	2013	2014	2015	YTD 2016	TOTAL	N =
\$10-25M	5.6	5.8	6.0	5.6	5.9	6.0	5.7	972
\$25-50M	6.2	6.2	6.8	6.6	6.7	6.1	6.3	736
\$50-100M	6.8	6.7	6.8	8.6	7.8	7.5	7.0	507
\$100-250M	7.3	7.4	7.5	7.8	9.0	8.3	7.6	230
TOTAL	6.2	6.3	6.5	6.8	6.7	6.7	6.3	
N =	1484	247	162	216	232	104		2445

NOTE: N for 2003–2011 encompasses nine years of activity.

Total TEV/EBITDA multiples remain stable in 2016 from 2015, while buyers continue to pay a premium for businesses exceeding \$50M in TEV. Outside of 2014, average multiples across the board in 2016 remain higher than figures posted in each of the last five years.

AVERAGE MULTIPLES AND DEAL VOLUME



NOTE: 1H 2016 deal volume is annualized.

While EBITDA multiples have remained relatively stable, there was an unexpected drop in the estimated number of deals completed in 2016 compared to 2015.

VALUATION DRILLDOWN—2016 YTD

TEV	BUYOUTS ONLY								
	ALL	Buyouts Only	Platforms	Add-Ons	Indiv/Family Seller	PEG/Corp Seller	Above Average	Post-Closing Mgmt	ALL THREE*
\$10-25M	6.0	6.0	5.6	6.4	6.1	5.5	6.3	5.7	5.9
\$25-50M	6.1	6.0	6.0	5.5	6.1	5.4	6.0	6.0	5.4
\$50-100M	7.5	7.6	7.6	8.0	7.3	8.5	7.8	7.6	8.7
\$100-250M	8.3	8.7	8.7	NA	9.0	8.2	8.9	8.7	8.2
TOTAL	6.7	6.7	6.8	6.5	6.6	6.9	7.0	6.7	7.4
N =	104	86	65	21	66	20	52	74	14

* ALL THREE in the rightmost column denotes buyouts featuring above-average financial characteristics, a post-closing management solution and a private equity/corporate seller.

The discrepancy in EBITDA multiples between businesses valued above and below \$50M TEV has widened since 2012, indicating that buyers continue to pay larger premiums for companies with scale.

SIZE PREMIUM—BUYOUTS INVOLVING PLATFORM ACQUISITIONS ONLY

TEV	2012	2013	2014	2015	YTD 2016	TOTAL	N =
\$10-50M	5.8	6.2	5.8	6.1	5.8	5.8	435
\$50-250M	6.9	7.0	8.2	8.1	8.1	7.3	219
SPREAD	1.0	0.8	2.4	2.0	2.2	1.6	

QUALITY PREMIUM—BUYOUTS ONLY

	2003-2011	2012	2013	2014	2015	YTD 2016	TOTAL
Above Average Financials	6.1	6.3	6.8	6.9	7.4	7.0	6.4
Other Buyouts	6.0	6.1	6.0	6.3	6.0	6.1	6.0
Premium(/Discount)	102%	103%	114%	109%	123%	115%	106%
Incidence	55%	66%	59%	53%	56%	60%	57%

ALL-IN TEV / EBITDA – ALL INDUSTRIES / BY TEV*

TEV	2003-2011	2012	2013	2014	2015	YTD 2016	TOTAL	N =
\$10-25M	5.8	6.1	6.2	5.9	6.1	6.3	5.9	972
\$25-50M	6.5	6.5	7.0	6.8	6.9	6.3	6.6	736
\$50-100M	7.1	7.0	7.0	8.9	8.0	7.7	7.3	507
\$100-250M	7.5	7.7	7.7	7.9	9.1	8.5	7.8	230
TOTAL	6.4	6.5	6.7	7.0	7.0	7.0	6.6	
N =	1484	247	162	216	232	104		2445

* All-in valuation data include multiples paid to seller (Chart 1: TEV/EBITDA) plus buyers' transaction expenses expressed as fractional multiples of EBITDA.

In this heated "seller's market," there are factors driving the difference in valuation of stand-alone platforms versus add-on acquisitions.

As noted in the data highlights, platforms have returned to a premium position year to date, being valued at an average of 6.8x, compared to 6.5x for portfolio add-ons.

This is a return to the historic relationship between the two types of transactions. Add-ons had drawn even in 2014 and actually edged ahead in 2015.

As it was occurring, this aberration was attributed to the ability and willingness of financial buyers to use the borrowing capacity of larger portfolio companies to pay for acquisitions in an unusually accommodating debt market. Watch for other signs that providers of leveraged finance are becoming more cautious and/or discerning.

BUYOUTS—TRANSACTION TYPE

TEV	PLATFORMS				ADD-ONS			
	2013	2014	2015	YTD 2016	2013	2014	2015	YTD 2016
\$10-25M	5.7	5.4	5.8	5.6	6.3	6.3	6.2	6.4
\$25-50M	6.7	6.3	6.4	6.0	6.9	6.4	7.3	5.5
\$50-100M	6.6	8.8	7.8	7.6	7.2	7.3	8.0	8.0
\$100-250M	8.1	7.4	8.7	8.7	NA	8.5	11.1	NA
TOTAL	6.5	6.6	6.7	6.8	6.5	6.6	6.8	6.5
N =	112	142	167	65	23	36	43	21

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